

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 14, 1938, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 13, 1938, were approved unanimously.

Memorandum dated July 14, 1938, from Mr. Morrill recommending that Max Lee DeMouy be appointed as a page in the Office of the Secretary with salary at the rate of \$1,080 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Letter to Mr. Parker, First Vice President and General Counsel of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring to your letter of July 9, 1938, the Board of Governors approves the action taken by your Board of Directors on July 8, 1938, in fixing a salary of \$4,000 per annum for Mr. Morgan L. Shaw as Cashier of the New

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"Orleans Branch. It is assumed that Mr. Shaw's appointment as Cashier was effective as of the date of his election."

Approved unanimously.

Letter to the board of directors of "The Wyandotte Savings Bank", Wyandotte, Michigan, stating that, subject to conditions of membership numbered 1 to 4 and 6 contained in the Board's Regulation H and the following special conditions, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "5. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.
- "7. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "8. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate losses of \$58,220.51 and depreciation of \$383.75 in defaulted bonds, all as shown in the report of examination of such bank as of June 6, 1938, made by an examiner for the Federal Reserve Bank of Chicago."

The letter also contained the following special comment:

"In the report of examination for membership the trust examiner makes numerous criticisms of the operations of the trust department. It has been noted that the formalities in connection with the establishment of the department are incomplete in that there are no resolutions providing

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"for the officers of the department or defining their duties; that there is no specially designated trust committee, and that the executive committee of the board of directors in acting as a trust committee has apparently not functioned in a supervisory capacity but confined its activities principally to the ratification of the actions of the trust officer; that systematic and periodic reviews of the trust accounts have not been made; and that the records of the department are poorly kept. Acceptance of trust business entails serious responsibilities and The Wyandotte Savings Bank will be expected to take the proper steps to bring its trust activities into conformity with approved practices."

Approved unanimously, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Wyandotte Savings Bank', Wyandotte, Michigan, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of the Banking Department for the State of Michigan for his information.

"It has been noted that in the event membership is completed the bank's attention will be called to the vacancy now existing on the board of directors, together with the suggestion that such vacancy be filled at the first opportunity.

"In the report of examination for membership and the memorandum accompanying the application, a proposed capital adjustment now under consideration by the bank is outlined, and Mr. Young recommends that the proposal be given favorable consideration by the Board. The proposed adjustment provides for a reduction of \$200,000 in the present outstanding common stock and the transfer of the released capital to surplus and undivided profits, the retirement of \$28,000 of the second preferred stock and the conversion of the remaining \$200,000 into common stock. The bank's application for membership has been approved with the

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"understanding that such adjustment may be made, and in this connection it is assumed that the bank has given consideration to the requirements of Article Fourth of its amended Articles of Incorporation, particularly section 8 thereof. The Board's formal approval of the proposed reduction of capital will, of course, be necessary if the reduction is not made until after the bank is admitted to membership but in this event you are authorized to approve the reduction on the Board's behalf pursuant to the general authority contained in the Board's letter of May 1, 1937 (X-9882).

"As you know, to be eligible for membership in the System a bank's capital must be unimpaired. Attention is called to this requirement at this time in view of the rather limited amount of undivided profits of the bank, a situation which, of course, would be corrected if the proposed capital adjustment is completed prior to admission to membership."

Letter to the board of directors of "The Miners' State Bank of Iron River", Iron River, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Minneapolis:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

Approved unanimously, together with a letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Miners' State Bank of Iron River', Iron River, Michigan, for membership in the Federal Reserve System, subject to the conditions prescribed

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"in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of the Banking Department of the State of Michigan for his information.

"It has been noted that on the date of examination for membership the bank was carrying four excessive loans but that plans were in process to bring these loans into conformity with the State laws. It is assumed that these corrections will be followed to a conclusion."

Letter to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with your recommendation the Board of Governors of the Federal Reserve System approves the establishment and operation by 'The Potters Bank & Trust Company', East Liverpool, Ohio, of a branch at Wellsville, Ohio.

"In the application submitted by the trust company, it is stated that the proposed branch will be established for the purpose of conducting a general commercial banking business, a savings bank business, a special plan bank business and trust company business. While it is noted that the trust company is authorized to exercise fiduciary powers under its charter, the reports of examination show that such powers were not being exercised and it is assumed that it is not the intention to engage in fiduciary activities at the proposed branch without first obtaining permission of the Board.

"Please advise the trust company accordingly."

Approved unanimously.

Letter to Mr. Addison G. Foster, The Executive Assistant of The National Emergency Council, reading as follows:

"As requested in your letter of June 13, 1938, you will find inclosed a table showing the number and amount of both the advances and commitments made by the Federal Reserve banks under authority of Section 13b of the

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"Federal Reserve Act for the period June 19, 1934, to June 30, 1938, classified as to States. The figures in the attached table are exclusive of financing institution participations, figures for which are not available by States."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. C. ...
Chairman.